

VZCZCXRO3445  
RR RUEHCN RUEHGH RUEHVC  
DE RUEHGZ #0641/01 3240516  
ZNR UUUUU ZZH  
R 200516Z NOV 09  
FM AMCONSUL GUANGZHOU  
TO RUEHC/SECSTATE WASHDC 1107  
INFO RUEHOO/CHINA POSTS COLLECTIVE 0344  
RUEHBJ/AMEMBASSY BEIJING 0883  
RUEHRH/AMEMBASSY RIYADH 0001  
RUEHGH/AMCONSUL SHANGHAI 0275  
RUEHCN/AMCONSUL CHENGDU 0276  
RUEHSH/AMCONSUL SHENYANG 0285  
RUEHHK/AMCONSUL HONG KONG 0345  
RUEHIN/AIT TAIPEI 0252  
RUEHDH/AMCONSUL DHAHRAN 0001  
RUEHJI/AMCONSUL JEDDAH 0001  
RUCPDO/DEPT OF COMMERCE WASHDC  
RHMFISS/DEPT OF ENERGY WASHINGTON DC 0038  
RUEATRS/DEPT OF TREASURY WASH DC  
RULSDMK/DEPT OF TRANSPORTATION WASHINGTON DC 0015  
RUEAIIA/CIA WASHDC 0324  
RUEKJCS/DIA WASHDC 0320  
RHHMUNA/HQ USPACOM HONOLULU HI  
RUEKJCS/SECDEF WASHDC 0010

UNCLAS SECTION 01 OF 02 GUANGZHOU 000641

SENSITIVE  
SIPDIS

EMB BEIJING FOR DOE  
USDOE FOR INTERNATIONAL AFFAIRS  
USDOE FOR FOSSIL POLICY AND ENERGY  
STATE FOR EAP/CM, S/CIEA AND EEB/ESC  
STATE ALSO PASS USTR FOR CHINA OFFICE

E.O. 12958: N/A

TAGS: [ENRG](#) [ECON](#) [EPET](#) [SENV](#) [PGOV](#) [TRGY](#) [CH](#)

SUBJECT: Fujian Province Triples Its Oil Refining Capabilities

GUANGZHOU 00000641 001.2 OF 002

(U) This document is sensitive but unclassified. Please protect accordingly.

11. (SBU) Summary: The opening of the Fujian Integrated Refining & Ethylene Joint Venture Project (FREP) Commercial Operation will increase Fujian's annual refining capacity from 4 million to 12 million tons. The project is a joint venture between China's SINOPEC (50%), Exxon-Mobil (25%) and Saudi Arabia's Saudi-Aramco (25%). U.S. and Saudi partners are skeptical about near-term demand growth, but China wants proceed with expansion plans. Chinese officials estimate the facility and associated tie-in manufacturing will create 25,000 jobs in the province. End summary.

Higher Production and Job Creation  
-----

12. (U) The Fujian Integrated Refining & Ethylene Joint Venture Project (FREP) Commercial Operation formally came online after an opening ceremony on November 11. FREP is a joint venture between SINOPEC, Exxon Mobil, and Saudi Aramco, where SINOPEC has a 50% share and Exxon-Mobil and Saudi-Aramco each have a 25% stake. The project will increase Fujian's annual refining capacity from 4 million to 12 million tons. In addition, a series of large scale chemical facilities, including an ethylene plant, polyethylene and polypropylene units and an aromatics complex have been constructed. There are also plans for additional tie-in/by-product manufacturing facilities to be built in neighboring areas of Quanzhou. A Fujian Foreign Affairs Office official commented that a similar project in Liaoning had created 25,000 jobs, including those associated with the "upstream" and "downstream" companies.

13. (U) ExxonMobil CEO Rex Tillerson, Fujian Governor Huang Xiaojing, Sinopec Chairman Su Shulin, Saudi Arabia's Oil Minister Ali Al-Naimi, Saudi Aramco CEO Khalid Al-Falih, the CG, and other

dignitaries participated in the ribbon cutting ceremony. (Note: While in Quanzhou, the Consul General also met with Acting Mayor Li Jianguo and other city leaders, spoke with 160 students at Huaqiao University about President Obama's visit, promoted trade and investment, and visited companies involved in the shoe-manufacturing and stone industries.)

#### Green Technology Featured Prominently

-----

¶4. (U) The complex also features a state-of-the-art 250 megawatt cogeneration<sup>3</sup> facility, which will meet the majority of the site's power demands. The facility uses waste-to-energy technology to produce electricity and heat by burning waste gases from the refinery, resulting in lower operating costs and significantly reduced greenhouse gas emissions.

#### Villagers Moved to Make Way

-----

¶5. (SBU) FREP is located on Meizhou Bay, an attractive location for this type of facility because of its accessibility by sea. The Fujian provincial government reportedly re-located 30,000 people off the land where the plant was built. Security was tight at the opening ceremony, with specific instructions given to guests to stay in designated areas; however, residential apartment housing was clearly visible at distances of about 10 meters from the outer perimeter walls of the plant.

#### Domestic Demand Uncertain

-----

¶6. (SBU) A high-level executive associated with the project told

GUANGZHOU 00000641 002.2 OF 002

the Transformational Diplomacy Officer that the Fujian government still wants to expand the facility, but that the other members of the joint venture were not convinced that domestic market demand would support immediate expansion, and were therefore proceeding with caution. The executive indicated that while Exxon viewed market access as an important step, the firm had some concerns with the central authorities' control over projects profits as well as access to downstream markets.

GOLDBECK